

Title: APPROPRIATION BILL (No. 3) 1993-94: Second Reading

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Mr LATHAM (Werriwa) (2.25 p.m.) -There is no greater honour or responsibility for an Australian than to serve in our national parliament, more so in the electorate of Werriwa, which has been represented with such capacity by the great men of Labor-Whitlam and Kerin. I hold immense gratitude and affection for my predecessors: Gough Whitlam for his instruction, inspiration and comradeship; John Kerin for an orderly transition in Werriwa and forever displaying a dignified and very decent approach to public life.

In every respect in this Parliament, as Bob Hawke once described Kerin, he was a self-made man. He applied a broad yet homespun intellect to the development of Australia's best set of rural and resource policies. Throughout Werriwa and the nation, he earned respect with his commonsense and egalitarian approach to issues and, as no one could doubt, he made sure that he wrote all his own jokes.

Since World War II Werriwa has reflected each of the mainstream issues of Australian politics and has acted as both a catalyst and a testing ground for Labor policy-through the urban expansion of the 1950s and 1960s to the Whitlam renaissance and the structural adjustments of the 1980s. My electorate remains very much a microcosm of Australian society and the challenges for national policy in this decade. It is an urban, demographically young and

multicultural electorate, grappling with the challenges of economic development, better planning and service delivery-all underpinned by a growing sense of confidence and identity. This is very much the Australian condition in the 1990s. These appropriation bills provide an opportunity to argue how issues and experiences in my electorate-while strongly confirming this government's agenda and direction-in several areas of federal responsibility highlight the need for new or adjusted policies.

Sydney's south-west, covering the electorates of Fowler, Werriwa and Macarthur, provides an outstanding case study of the means by which the government can promote regional economic development and accelerate the pace of micro-reform and competition policy throughout the national economy. The south-west region has developed competitive strengths from its large consumer market, capable work force and relatively cheap and well-serviced industrial land. The one gap in the effectiveness of the regional economy-now being targeted and overcome-reflects the great competitive weakness of regional Australia, that is, inadequate transport investment to efficiently move goods and people by road, rail, sea and air.

The recent Kelty report *Developing Australia* identified transport services as a crucial development issue in each of the 63 regions surveyed. Significant gains are required for Australia's transport system to reach average practice, let alone international best practice. On an island continent with dispersed population centres, economic efficiency inevitably depends on the effectiveness of the transport system. Whenever the economic distance between markets is reduced, Australia enhances its competitive advantages, both for domestic and external trade.

The benefits of improved transport investment are beginning to be realised in Sydney's south-west. The federal government has developed a regional transport program with new road and rail links and, most importantly, through an inspired announcement during my by-election campaign by the minister for transport, inviting private sector investment to accelerate Badgerys Creek Airport to international status.

More needs to be done, however, in Werriwa and across the nation to improve the effectiveness of our transport system. The government needs to build on the achievements of One Nation through four new initiatives.

First, it should embrace federal responsibility for urban railways just as One Nation picked up federal funding for national highway links through urban areas. From its own funding sources the New South Wales government has been unable to construct a new rail line in Sydney's west or south-west since the time of Jack Lang.

Second, the government should tie federal road grants to regional economic strategies. The New South Wales government has linked its capital works budget in Sydney solely to the urban release program.

Without targeted infrastructure assistance for industry clusters, the metropolitan area has produced high commuter travelling times and a large imbalance between the location of jobs and the location of housing estates. Untied road funding in New South Wales has also resulted in National Party pork-barrelling and under-resourcing in areas of greatest need. Even though Sydney's west and south-west represent 30 per cent of the state's population they receive just 14 per cent of funding from the Roads and Traffic Authority.

Third, the government should redirect federal expenditure not just through fiscal equivalence on road charges, as recommended by the Kelty report, but also by scaling back areas of overinvestment on other economic programs. For instance, if the education system more capably met the needs of the long-term unemployed, the government would not need to spend as much as \$12 billion a year on DEET programs. In my assessment, government responsibilities on the demand side of the labour market are more critical than those on the supply side. The only long-term answer for the long-term unemployed is a growth economy pushing back towards full employment. Fourth, the government needs to improve the taxation treatment of infrastructure bonds and pooled development funds to foster more private investment in Australia's transport system. I look forward to this being a key feature of the forthcoming industry statement.

I mentioned the fast-track development of an international airport at Badgerys Creek. This project represents the best opportunity for industry clustering and employment growth in Sydney's west and south-west in the 1990s. A study by the national institute in 1991 revealed total employment potential for 36,000 new jobs over the next 20 years on and around the airport site. Presently, Badgerys Creek, like most major airports in Australia, is under the control of a public sector monopoly-the Federal Airports Corporation.

Unhappily, the substantial opportunities for aviation and economic development arising from Badgerys Creek are prejudicial to the interests of the FAC and its commercial charter. The FAC runs Kingsford Smith, as its most profitable airport-in 1992-93 sustaining 55 per cent of the FAC's nationwide profit of \$89 million, while 12 of the other 18 FAC airports returned losses. The development of Badgerys Creek and the attraction of modern airport technology and curfew free operations would bring substantial competition to the aviation market in Sydney and cut into the profits of Kingsford-Smith.

Through the restraint of airport competition, the economic development of Sydney's west and south-west has been restricted for the sole purpose of propping up the FAC's profits and cross-subsidising provincial airports outside Sydney. I am delighted that the new Minister for Transport (Mr Brereton), knowing the issues so well, holding the electorate of Kingsford-Smith, is not one to put up with bureaucratic delay, or obstruction, or the featherbedding of public sector monopolies.

The government need not be restricted by the conventional wisdom that competition policy will damage the development of regional economies. In the areas of Sydney's west and south-west-regions with mature industry structures and very encouraging growth-competition policy would stimulate economic development. Breaking up the FAC's monopoly is an essential micro-economic reform, not just for my electorate but across the nation. While many parts of the world-the European Community and NAFTA-are slotting into trade blocs, Australia has no right of entry into its targeted markets in east Asia and south Asia. Our only advantage is proximity, but without efficient and comprehensive air and sea freight systems this competitive edge will be wasted. This demonstrates the central truth of economic management in the 1990s-how all policy must be set within the context of an open and competitive economy.

This government's basic reform of the economy is now entrenched. There is no way back to the subsidies, regulation and sheltered markets of old Australia. The only meaningful debate is about the pace of reform, not its direction. There is always a temptation for politicians wanting to exercise their power to regard industry regulation and intervention as a way to remake the market. In truth, no government can knock the market out of the ring.

The government's greatest achievement has been to kill off the last remnants of the Australian settlement; that is, the laws and institutions on which Australian politics founded a consensus in the first decade of federation-centralised wage fixing, industry protection all round and White Australia. The settlement was designed to institutionalise Australia's standard of living-then among the highest in the world. This enshrined the ethos of a lucky country, sheltering from the demands and competition of the international economy while enjoying national wealth out of agriculture and mining. This government has been about restoring the competitive edge Australia lost in the postwar period and putting back some of the luck. Hence the ethos of an open and competitive economy.

The competitive advantage of nations comes from industrial upgrading to the new investment technology and managerial capacity which give companies an edge on world markets. Firms which remain static are imitated by competitors and soon lose their market advantage. Ultimately, nations succeed in certain environments because their corporate environment is dynamic and challenging, pressuring firms to upgrade and widen their advantages on domestic and international markets.

The more companies rely on government assistance, the less likely they are to upgrade their competitive position. The role of government is to stimulate market competition, not smother it with tariffs, subsidies and central planning. This illustrates a very important point about how to best judge the success of economic policy.

Competition of any kind is never static-not between firms and not between nations. In an isolated and closed economy, international comparisons count for little; in an open and competitive economy, however, they are the only test of national success. Australia can have no room or reason for complacency. If we wish to trade successfully in our region, among the

fastest growing and changing economies in the world, our pace of adjustment must be just as rapid. Quite simply, nations with competitive weaknesses cannot move fast enough to rejuvenate and restructure their economies. The longer politicians avoid reform, the greater the decline in productivity and competitive advantage.

The focus of national policy must centre on structural efficiency-securing for Australia international best practice in our transport, communications and industrial relations systems. Structural problems require structural solutions and that, of course, is the agenda of this government. As the Prime Minister (Mr Keating) has noted:

It is domestic competition which makes companies lean and beckons them to look for opportunities abroad . . . the promotion of competition in all areas has to be the cornerstone of policy.

Competition policy has two components. First, strong anti-trust laws are needed to prevent horizontal mergers and market collusion. Second, governments, federal and state, must challenge and break up the privileged market conditions of the professions-doctors and lawyers-and increasingly expose government business enterprises to the benefits of competition.

The debate should not be about public versus private ownership but about the huge differences in productivity between competitive and monopoly markets. The Industry Commission, for instance, has estimated how reform of Australia's public utilities would add two per cent to the nation's GDP.

The heads of government meeting in Hobart later this week will measure the resolve of all governments in Australia to accelerate and expand competition policy across the public sector in electricity distribution, water and gas supplies, ports, international shipping, airports, railways, telecommunications, postal services and even local government.

In this debate, however, it is essential to recognise that governments cannot control the competitive advantage of nations, they can only influence it. There is too little questioning in Australia of the pace of reform by the private sector. According to the Australian

Manufacturing Council, only 10 to 15 per cent of the manufacturing businesses that could be exporting are actually doing so. If companies reform their own performance as quickly as they expect governments to change policy, Australia would be in a much stronger economic position.

One of my predecessors Gough Whitlam argued in this parliament how the quality of life for Australians, in particular the value placed on community services and opportunities, depends more on where they live than how much they earn. Experiences in Werriwa confirm how this principle remains as valid in the 1990s as it was 20 and 30 years ago.

My electorate continues to experience the rapid population growth which has been a feature of its demographics since World War II. Like many of the suburbs of Sydney's west and south-west, the rate of growth in government services-federal, state and local-has not kept pace with the increase in population. It is unacceptable, for instance, that west and south-west Sydney have 10 per cent of Australia's population, with a high proportion of young people, but only three per cent of student places in higher education.

It is much easier for politicians to fund new services from growth in government revenue than relocate resources to areas of greatest need. Australia's economic circumstances, however, have killed off this soft option. The government needs to place the redistribution of public resources at the centre of its agenda for social policy. Only by tackling the problem of regional inequality in Australia can we move towards one nation. An obvious measure is to reform the charter by which federal authorities allocate grants to the states and local government. State boundaries-lines drawn in at Whitehall last century-have shown themselves to be an irrelevant guide to locational inequality.

For instance, it is absurd to suggest, as the Grants Commission does every year, that community needs in Hobart and Darwin are two to seven times greater than those in Campbelltown and Blacktown. Questions of equity and service delivery need to be judged on a regional rather than state basis. With limited government resources, funding formulas must be prepared, on the basis of need between regions, to take away as well as give.

The government successfully used this approach for the local capital works program in 1992. The \$6.5 million allocated to Campbelltown and Liverpool councils not only boosted local industry but addressed leading lifestyle issues through the construction of new community cultural and sporting facilities.

In electorates like Werriwa, the federal government must provide greater support for services and facilities which, in other parts of Sydney, are secured through higher private incomes. The quality of life in Australia depends substantially on the services and opportunities which the community provides from the combined resources of government. Less privileged areas are particularly affected by the lack of resources available to local government.

It is little understood in Australia's federal system of government how, of the five community services from which young people derive their lifestyle opportunities-education, child care, recreation, cultural pursuits and libraries-all but education are provided by local government. By restoring the local capital works program to these appropriation bills or, more likely, in the May budget, the government could overcome part of this imbalance between municipal responsibilities and municipal finances.

The scarcity of government funds in the 1990s will continue to focus attention on the cost-effectiveness of service delivery. An element of competition between service providers can improve both the quality and the efficiency of the public sector. This means separating the demand and supply functions of government into a purchaser-provider split.

Professor Dick Scotton, who with John Deeble devised the Medibank program, has used these principles to advocate an overhaul of Australia's health system. His proposal is much more than an efficiency measure, as it provides the government with an opportunity to regionalise health care in Australia and ensure a fair distribution of resources between regions.

The distribution of hospitals in Sydney reflects historical rather than contemporary patterns of urban settlement. This lag means that most beds and services are where the people used to live, not where they live now.

The East Sydney Area Health Service, for instance, has 6.9 beds per 1,000 population while south-west Sydney, which covers the electorate of Werriwa, has 2.4 beds per 1,000. The south-west region has 11.1 per cent of the state's population yet receives only 7.3 per cent of health funding. Just as the federal government cannot rely on the states to redistribute health resources on the basis of need, it cannot count on them to tackle the growing gap in Australia between the demand for health care and the availability of services.

Internationally, health policy makers have grappled with the problem of securing greater efficiency and cost control in the delivery of services while maintaining universal insurance. In many cases, this has resulted in the national government establishing service contracts with both public and private hospitals for the provision of core services. A single national insurer offers a range of options for health coverage linked to the principle of capacity to pay. This system could be used to integrate the public and private hospital systems in Australia, just as the federal government two decades ago ended the distinction, for funding purposes, between public and private schools.

The development of public beds in private hospitals would address the problem of underutilised resources in our national hospital system. The direct funding role for hospitals would be administered by regional authorities, allowing the federal government to allocate funds on the basis of need. The service provider role would involve competition between both public and private health institutions to win performance based contracts from the regional authority.

By taking up the responsibility which the 1946 referendum conferred on this parliament to provide medical services, the government can establish a national health system. All Australians, no matter their income, no matter their location, can have equal access to essential health services under the universal coverage of national health insurance.

There is no inconsistency between a belief in market economies and the legitimate role of government in the redistribution of income and public resources. Social democracy has set itself the countervailing role of sustaining those things the market either cannot provide or actually takes away. Ultimately, Labor's hopes for a more equal and just society rely on a certain judgment about human values: the belief that whilst people will always defend their

own interests they also care enough about the society in which they live to advance the interests of others.

This is what Australians have always meant in the national ethos of a fair go. It is basic to the rejection, election after election after election, of the conservative notion that self-interest is satisfied only at the expense of other people.

Australian society is changing in a way that opposition members will never understand. This is reflected in the coalition's claim that this government is somehow trying to remodel Australia through reforms such as the republic. This is the tired old script of conservatives through the ages: too insensitive to understand that society has already remodelled itself; too obtuse to accept that good government and reform involves the skilful anticipation of change.

I mentioned earlier that Werriwa reflects a young and multicultural community with 40 per cent of the electorate aged less than 20, and 25 per cent born overseas. For these people, without memories or emotions for Britain, Australian independence is a natural feeling. This is what makes the republic inevitable and so too a more independent foreign policy in Australia. Our nation and its new hopes and challenges can only succeed by enlarging our institutions and striking out for a mature and independent Australia; not straightening out change and clinging to the bonds and symbols of Australia's childhood.

More than ever, the values of the Australian Labor Party for an independent, tolerant and egalitarian society are Australia's values in the 1990s. This government, in the context of a growth economy, has an enormous opportunity to press home these values in all its work and programs. Mr Speaker, I will give my very best to this task and, in discharging my responsibilities as the member for Werriwa, within the great Labor traditions of this electorate, I commit myself and all my efforts to the achievement of an open and competitive economy and our mighty crusade for a more independent, tolerant and equal Australia.